BERGRIVIER
MUNICIPALITY

FINANCIAL STATEMENTS
30 JUNE 2009

BERGRIVIER MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 26
Notes to the Financial Statements	27 - 51

APPENDICES

A	Schedule of External Loans	52
B	Analysis of Property, Plant and Equipment	53 - 54
C	Segmental Analysis of Property, Plant and Equipment	55
D	Segmental Statement of Financial Performance - Municipal Votes	56
E (1)	Actual Versus Budget (Revenue and Expenditure)	57
E (2)	Actual Versus Budget (Acquisition of Property, Plant and Equipment)	58
F	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	59

AUDITOR GENERAL
2010 -01- 20

BERGRIVIER MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION

NATURE OF BUSINESS

Bergrivier Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bergrivier Municipality includes the towns of Piketberg, Porterville, Velddrift, Eendekuil and Redelinghuys.

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	SR Claassen
Deputy Executive Mayor	JA Liebenberg
Executive Councillor	A de Vries

MUNICIPAL MANAGER

EC le Roux

CHIEF FINANCIAL OFFICER

JA van Niekerk

REGISTERED OFFICE

P.O. Box 60
PIKETBERG
7320

AUDITORS

Auditor-General
Private Bag X1
CHEMPET
7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

De Villiers Van Zyl
Britz en Pretorius
Swemmer & Levin

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

BERGRIVIER MUNICIPALITY

MEMBERS OF THE BERGRIVIER MUNICIPALITY

WARD	COUNCILLOR
1	IWA Spangenberg
2	RP de Villiers
3	RM van Rooy
4	A de Vries
5	J Swart
6	JA Liebenberg
7	J Afrikaner
Proportional	SR Claassen
Proportional	PJC van Niekerk
Proportional	JA Raats
Proportional	E Swartz
Proportional	C Karools
Proportional	S Lesch

APPROVAL OF FINANCIAL STATEMENTS

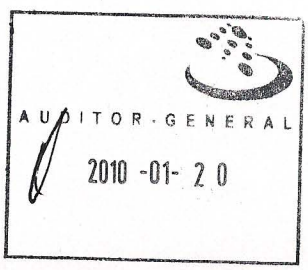
I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 51 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

EC LeRoux

EC LE ROUX
Municipal Manager

20/1/10

Date



REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE BERGRIVIER MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Bergrivier Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 54 of appendix A to the annual report.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and, the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq*. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Bergrivier Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Bergrivier Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matter

Without qualifying my opinion I draw attention to the following matters:

Amendments to the applicable basis of accounting

9. As set out in accounting policy note 1 of the municipality's financial statements, the municipality has adopted the transitional provisions as allowed by Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities", as issued by the Accounting Standards Board.

Irregular expenditure

10. As disclosed in note 39.3 to the financial statements, an amount of R8 554 246 in respect of non-compliance with the Supply Chain Management policy that occurred during the previous year has not yet been condoned by the council.

Restatement of corresponding figures

11. As disclosed in note 34 to the financial statements, during the financial year under review the municipality adopted Standards of GRAP. This resulted in significant change in accounting policies from the previous basis of accounting. In terms of the conversion to Standards of GRAP the comparative figures were significantly restated.

12. As disclosed in note 35 to the financial statements, the corresponding figures for the prior period statement of financial position have been restated as a result of errors discovered during the current year ended 30 June 2009 in the financial statements of Bergrivier at, and for the year ended, 30 June 2008.

Material losses

13. As disclosed in note 40.8 to the financial statements, water and electricity distribution losses of 25,97% and 11,76% amounting to R3 213 632 and R2 274 654 respectively, were incurred during the 2008/09 financial year.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

14. The supplementary information set out on pages 55 to 59 (appendices C to F to the financial statements) does not form part of the financial statements and accordingly I do not express an opinion thereon.

Governance framework

15. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance requirements addressed below:

Key governance responsibilities

16. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		■
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		■

No.	Matter	Y	N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	■	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.		■
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	■	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.		■
	• The audit committee operates in accordance with approved, written terms of reference.	■	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		■
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.		■
	• The internal audit function operates in terms of an approved internal audit plan.		■
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		■
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		■
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	■	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	■	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		■
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	■	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	■	

No.	Matter	Y	N
14.	SCOPA resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		■
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		■
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Bergrivier municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	■	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	■	

17. With the implementation of the Standards of GRAP, the municipality experienced difficulties in producing financial statements for audit purposes that were free form material errors and omissions, although not in all instances material. This situation could have led to a qualified audit opinion of the financial statements had the municipality not adjusted their financial statements during the audit, based on my findings

18. This is indicative of a situation where:

- management did not exercise oversight over the financial reporting to ensure timely availability of requested information.

- management did not exercise appropriate oversight over the financial statements prepared by the consultants as it was not in all instances free from material errors and omissions..

- difficulties experienced by the finance department with the implementation of the Standards of GRAP, updating the asset register and performing a complete asset count, as well as finalising the bank reconciliation led to the late submission of the financial statements that were prepared by the consultants.

- the oversight function of the audit committee was not in place and was not effective for the year under review as the municipality only had a shared audit committee with effect from April 2009.

- actions taken to address the risks associated with the lack of an internal audit section/unit were not sufficient as the municipality failed to appoint an internal auditor during the year under review.

- although management did identify risks relevant to the achievement of accurate and complete financial reporting, appropriate actions were not taken to address such risks identified by way of a formal risk management policy and a fraud prevention plan. The risk assessment process should inform the agendas of the audit committee and internal audit unit, which are essential elements in the review of the design and implementation of sound internal controls to achieve good governance and accountability over financial reporting.

19. The next few years will pose greater challenges for the municipality with the ongoing transition to full compliance with the Standards of GRAP and the implementation of additional, approved Standards of GRAP. In order to deal with the prevalence of material misstatements in financial statements that have to be corrected during the audit, the municipality needs to:

    - develop a strategy to improve financial management controls relating to compliance with accounting standards and reconciliation and maintenance of underlying accounting records, in order to produce accurate and complete financial statements

    - produce monthly financial accounts for review by management

    - subject the financial statements to a quality review before they are submitted for auditing, while the internal audit unit and audit committee can assist with evaluating the adequacy of the design and implementation of controls around the preparation of the financial statements.

20. The development of a performance management system policy framework that facilitates the preparation of a performance report that is accurate and complete and available for internal and external review in a timely manner, requires urgent attention from the accounting officer with the support of internal audit and the audit committee to ensure compliance with section 40 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Investigations

21. During September 2009 a staff member at the Porterville traffic office was suspended for the alleged issuing of learners licences without following due process. To date the investigation is still in progress.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

22. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

23. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

24. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
25. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

27. The municipality had not developed and implemented adequate mechanisms, systems and processes for the monitoring and review of, and reporting on, performance information, as required by the sections 38 to 41 of the MSA. Although the municipality has started with a process of establishing a performance management system as required by section 38(a) of the MSA, the process has not yet been finalized and the performance management policy is still in draft format.

Performance information not received in time

28. An assessment could not be performed of the reliability of the reported performance information, as set out in appendix C of the annual report, since the information was not received in time for audit purposes.

APPRECIATION

29. The assistance rendered by the staff of the Bergrivier Municipality during the audit is sincerely appreciated.

Auditor-General

Cape Town

20 January 2010

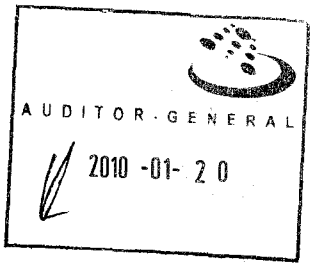
AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

BERGRIVIER MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Notes	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		**116,660,376**	**108,692,833**
Housing Development Fund	**2**	2,427,543	2,448,790
Capital Replacement Reserve	**3**	16,000,000	11,781,906
Capitalisation Reserve	**3**	-	-
Government Grant Reserve	**3**	-	-
Accumulated Surplus/(Deficit)		98,232,832	94,462,137
Non-Current Liabilities		**43,716,707**	**35,838,884**
Long-term Liabilities	**4**	15,400,940	10,744,224
Non-current Provisions	**5**	15,624,606	13,715,153
Non-current Employee Benefits	**6**	12,691,161	11,379,507
Current Liabilities		**30,165,651**	**29,700,826**
Consumer Deposits	**7**	1,856,945	1,693,187
Provisions	**8**	832,471	694,338
Employee Benefits	**9**	441,348	505,287
Trade and Other Payables	**10**	19,220,141	11,315,544
Unspent Conditional Government Grants and Receipts	**11**	5,528,579	6,758,965
Taxes	**12**	248,319	-
Operating Lease Liability	**19.2**	33,526	27,306
Cash and Cash Equivalents	**20.2**	-	6,810,500
Current Portion of Long-term Liabilities	**4**	2,004,321	1,895,699
Total Net Assets and Liabilities		**190,542,734**	**174,232,543**
ASSETS			
Non-Current Assets		**128,847,730**	**111,217,923**
Property, Plant and Equipment	**14**	128,209,259	110,477,447
Long-Term Receivables	**15**	638,471	740,476
Current Assets		**61,695,004**	**63,014,620**
Inventory	**16**	277,813	265,389
Trade Receivables from exchange transactions	**17**	15,343,092	13,126,690
Other Receivables from non-exchange transactions	**18**	11,119,581	8,450,465
Unpaid Conditional Government Grants and Receipts	**11**	2,277,204	3,212,593
Operating Lease Asset	**19.1**	23,245	22,427
Taxes	**12**		2,011,043
Current Portion of Long-term Receivables	**15**	155,447	162,418
Cash and Cash Equivalents	**20.1**	32,498,623	35,763,595
Total Assets		**190,542,734**	**174,232,543**

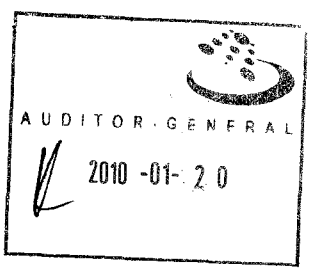


BERGRIVIER MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
REVENUE			
Revenue from Non-exchange Transactions		**52,125,717**	**46,775,478**
Taxation Revenue		**26,179,296**	**21,229,361**
Property taxes	**21**	26,179,296	21,229,361
Transfer Revenue		**24,313,771**	**24,716,560**
Government Grants and Subsidies	**22**	24,313,771	24,716,560
Other Revenue		**1,632,649**	**829,557**
Fines		1,531,901	829,557
Actuarial Gains	**6**	100,748	
Revenue from Exchange Transactions		**71,187,701**	**60,589,658**
Service Charges	**23**	56,750,319	48,583,457
Rental of Facilities and Equipment		2,515,541	2,129,113
Interest Earned - external investments	**24**	4,631,076	4,157,105
Interest Earned - outstanding receivables		2,663,228	1,958,468
Licences and Permits		226,765	1,457,070
Income for Agency Services		2,027,337	1,132,193
Other Income	**25**	2,309,208	1,141,795
Unamortised Discount - Interest		64,225	30,457
Total Revenue		**123,313,417**	**107,365,136**
EXPENDITURE			
Employee related costs	**26**	(44,280,204)	(37,002,005)
Remuneration of Councillors	**27**	(3,166,362)	(2,881,642)
Debt Impairment	**28**	(3,541,992)	(1,363,400)
Collection Costs		-	-
Depreciation and Amortisation	**29**	(8,445,478)	(7,742,182)
Repairs and Maintenance		(5,914,363)	(4,924,613)
Unamortised Discount - Interest		(221,145)	(197,220)
Actuarial Losses	**6**	-	(1,630,275)
Finance Costs	**30**	(2,022,714)	(2,005,997)
Bulk Purchases	**31**	(24,602,885)	(18,467,993)
Other Operating Grant Expenditure		(4,713,532)	(7,785,905)
General Expenses	**32**	(18,437,197)	(21,779,644)
Total Expenditure		**(115,345,873)**	**(105,780,876)**
Operating Surplus for the Year		**7,967,545**	**1,584,260**
Gains/(Loss) on Sale of Assets	**33**	-	316,609
NET SURPLUS/(DEFICIT) FOR THE YEAR		**7,967,545**	**1,900,869**

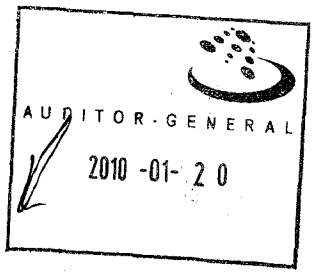
Refer to Appendix E(1) for explanation of variances



BERGRIVIER MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

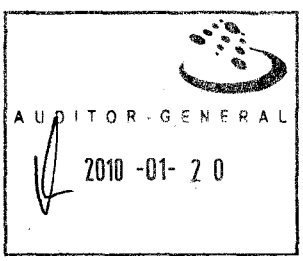
	Housing Development Fund	Capital Replacement Reseve	Capitalisation Reserve	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 1 July 2007	**2,434,152**	**16,348,317**	**16,146,301**	**44,973,042**	**49,254,155**	**129,155,967**
Correction of Error - note 35.17	33,679				(14,505,727)	(14,472,048)
Change in Accounting Policy - note 34.10			(16,146,301)	(44,973,042)	53,227,396	(7,891,947)
Restated balance	2,467,831	16,348,317	-	-	87,975,824	106,791,972
Net Surplus/(Deficit) for the year					1,900,859	1,900,859
Transfer to/from CRR		3,447,690			(3,447,690)	-
Property, Plant and Equipment purchased		(8,014,102)			8,014,102	-
Transfer to Housing Development Fund	(19,041)				19,041	(0)
Balance at 30 June 2008	**2,448,790**	**11,781,905**	**-**	**-**	**94,462,136**	**108,692,831**
Correction of Error	-	-	-	-	-	-
Change in Accounting Policy						-
Restated balance	**2,448,790**	**11,781,905**	**-**	**-**	**94,462,136**	**108,692,831**
Net Surplus/(Deficit) for the year					7,967,545	7,967,545
Transfer to/from CRR		16,000,000			(16,000,000)	-
Property, Plant and Equipment purchased		(11,781,905)			11,781,905	-
Transfer to Housing Development Fund	(21,246)				21,246	0
Balance at 30 June 2009	**2,427,544**	**16,000,000**	**-**	**-**	**98,232,832**	**116,660,376**



BERGRIVIER MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		108,725,795	92,892,285
Cash paid to suppliers and employees		(89,135,601)	(83,883,581)
Cash generated/(absorbed) by operations	36	19,590,194	9,008,704
Interest Received		7,294,305	6,115,573
Finance Costs		(2,022,714)	(2,005,997)
Net Cash from Operating Activities		**24,861,784**	**13,118,281**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(26,190,570)	(19,472,517)
Proceeds on Disposal of Fixed Assets		-	263,000
(Increase)/Decrease in Long-term Receivables		108,976	131,249
Net Cash from Investing Activities		**(26,081,594)**	**(19,078,268)**
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		4,765,338	(1,824,865)
Net Cash from Financing Activities		**4,765,338**	**(1,824,865)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,545,528	(7,784,852)
Cash and Cash Equivalents at the beginning of the year		28,953,094	36,737,947
Cash and Cash Equivalents at the end of the year	37	32,498,623	28,953,094
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,545,528**	**(7,784,853)**



ACCOUNTING POLICY FOR BERGRIVIER MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

AUDITOR-GENERAL
2010 -01- 20

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories
GRAP 16 – Investment Properties
GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 102 – Intangible Assets

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made

AUDITOR-GENERAL
2010 -01- 20

retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

7. RESERVES

7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

7.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, trough a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the

AUDITOR-GENERAL
2010 -01- 20

accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

8. LEASES

8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

9. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to

AUDITOR-GENERAL
2010 -01- 20

do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assts are recognised as an expense in the Statement of Financial Performance when incurred.

10. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

AUDITOR-GENERAL
2010 -01- 20

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. EMPLOYEE BENEFITS

(a) Pension obligations

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee

AUDITOR-GENERAL
2010 -01- 20

remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

13. PROPERTY, PLANT AND EQUIPMENT

13.1Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

13.2Subsequent Measurement – Revaluation Model

AUDITOR-GENERAL
2010 -01- 20

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

13.3Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

13.4Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		***Years***
Infrastructure		**Other**	
Roads and Paving	10-30	Buildings	30
Pedestrian Malls	20	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and Equipment	10-15
Buildings	30	Other plant and Equipment	2-5
Recreational Facilities	20-30	Landfill sites	20
Security	5	Quarries	25
Halls	20-30	Emergency equipment	10
Libraries	20-30	Computer equipment	3
Parks and gardens	20-30		
Other assets	15-20		

AUDITOR-GENERAL
2010 -01- 20

Heritage assets	
No depreciation	
Finance lease assets	
Office equipment	3
Other assets	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance.

13.5Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

14. INTANGIBLE ASSETS

14.1Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

AUDITOR-GENERAL
2010 -01- 20

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

14.2Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

14.3Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

14.3Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY

15.1Initial Recognition

AUDITOR-GENERAL
2010 -01- 20

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

The cost of self-constructed investment property is the cost at date of completion.

15.2Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

15.5Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

16.1Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

16.2Subsequent Measurement

AUDITOR-GENERAL
2010 -01- 20

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

17. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is

AUDITOR-GENERAL
2010 -01- 20

reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

19. INVENTORIES

19.1Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed t be equal to the fair value of the item on the date acquired.

19.2Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

20.1Initial Recognition

Financial instruments are initially recognised at fair value.

AUDITOR-GENERAL
2010 -01- 20

20.2Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been

AUDITOR-GENERAL
2010 -01- 20

realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

20.3Derecognition of Financial Instruments

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

AUDITOR-GENERAL
2010 -01- 20

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

20.4Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

20.5Impairment of Financial Assets

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and

AUDITOR-GENERAL
2010 -01- 20

where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

21. REVENUE

21.1Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

21.2Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have

AUDITOR-GENERAL
2010 -01- 20

not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

21.3Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor,

AUDITOR-GENERAL
2010 -01- 20

Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. C0NTINGENT LIABILITIES

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees.

Other known contingent liabilities are reflected in the financial statements.

28. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, changes and the treatment of assets financed by external grants.

AUDITOR-GENERAL
2010 -01- 20

		2009 R	2008 R
2.	**HOUSING DEVELOPMENT FUND**		
	Housing Development Fund	2,427,544	2,448,790
	Unappropriated Surplus	2,427,544	2,434,152
	Loans extinguished by Government on 1 April 1998	-	-
	Redemption on Housing Selling Scheme Loans not recorded in prior years - Note 35.16	-	33,679
	Redemption on Housing Selling Scheme Loans not recorded in 2007/2008 - Note 35.1	-	(19,041)
	Total Housing Development Fund Assets and Liabilities	**2,427,544**	**2,448,790**
3.	**NET ASSET RESERVES**		
	RESERVES	16,000,000	11,781,905
	Capital Replacement Reserve	16,000,000	11,781,905
	Capitalisation Reserve	-	-
	Government Grant Reserve	-	-
	Total Net Asset Reserve and Liabilities	**16,000,000**	**11,781,905**
4.	**LONG TERM LIABILITIES**		
	Annuity Loans - At amortised cost	18,528,267	13,820,991
	Capitalised Lease Liability - At amortised cost	199,289	362,371
		18,727,555	**14,183,362**
	Less: Current Portion transferred to Current Liabilities	**(2,004,321)**	**(1,895,699)**
	Annuity Loans - At amortised cost	(1,904,789)	(1,632,859)
	Capitalised Lease Liability - At amortised cost	(99,532)	(262,840)
		16,723,235	**12,287,663**
	Less: Unamortised charges on loans	**(1,322,295)**	**(1,543,440)**
	Balance 1 July	(1,543,440)	-
	Adjustment for the period	-	(1,740,660)
	Restatement of prior year comparitives - Note 34.11	221,145	197,220
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	**15,400,940**	**10,744,223**
	The obligations under finance leases are scheduled below:	**Minimum lease payments**	
	Amounts payable under finance leases:		
	Payable within one year	120,344	292,399
	Payable within two to five years	-	104,262
	Payable after five years	-	-
		120,344	396,661
	Less: Future finance obligations	(120,344)	(34,290)
	Present value of lease obligations	**-**	**362,371**
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
	Hire Purchases and Leases are secured by property, plant and equipment - Note 14		
	Exemptions taken for leases according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.		
5.	**NON-CURRENT PROVISIONS**		
	Provision for Rehabilitation of Landfill-sites	15,624,606	13,715,152
	Total Non-current Provision Liabilities	15,624,606	13,715,152
	Landfill Sites		
	Balance 1 July	14,115,152	861,619
	Contribution for the year	1,909,454	1,600,049
	Expenditure for the year	-	-
	Correction of Error - Note 35.3	-	11,653,484
	Total provision 30 June	**16,024,606**	**14,115,152**
	Less: Transfer of Current Portion to Current Provisions - Note 8	(400,000)	(400,000)
	Balance 30 June	**15,624,606**	**13,715,152**
6.	**NON-CURRENT EMPLOYEE BENEFITS**		
	Provision for Post-employement Health Care Benefits	12,691,161	11,379,507
	Total Non-current Employee Benefits	**12,691,161**	**11,379,507**

AUDITOR-GENERAL
2010 -01- 20

	2009 R	2008 R
Post-employment Health Care Benefits		
Balance 1 July	11,884,794	9,502,333
Contribution for the year	1,853,750	1,184,966
Expenditure for the year	(505,287)	(432,780)
Actuarial Loss/(Gain)	(100,748)	1,630,275
Total non-current employee benefit 30 June	**13,132,509**	**11,884,794**
Less: Transfer of Current Portion to Current Employee Benefits - Note 9	(441,348)	(505,287)
Balance 30 June	**12,691,161**	**11,379,507**

6.1 Provision for Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	158	158
Continuatioin members (e.g. Retirees, widows, orphans)	22	22
Total Members	**180**	**180**

The liability in respect of past service has been estimated to be as follows:

In-service members	7,147,644	6,468,549
Continuation members	5,984,865	5,416,245
Total Liability	**13,132,509**	**11,884,794**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-sevice Cost for the ensuing year is estimated to be R716 496, whereas the Interest Cost for the next year is estimated to be R1 173 944.

Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	9.09	9.09
Health Care Cost Inflation Rate	7.77	7.77
Net Effective Discount Rate	1.23	1.23

ii) Mortality rates

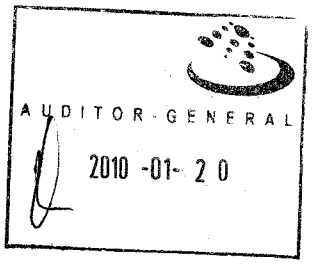
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	13,132,509	11,884,794
Fair value of plan assets	-	-
	13,132,509	11,884,794
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	**13,132,509**	**11,884,794**



The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	11,884,794	9,502,333
Total expenses	1,348,463	752,186
Current service cost	595,898	415,241
Interest Cost	1,257,852	769,725
Benefits Paid	(505,287)	(432,780)
Actuarial (gains)/losses	(100,748)	1,630,275
Present value of fund obligation at the end of the year	13,132,509	11,884,794

6.2 Provision for the rehabilitation of landfill-sites

Balance 1 July	14,115,152	861,619
Charged/(credited) to the income statement	1,909,454	13,253,533
Contribution to provision	1,909,454	1,600,049
Correction of Error - Note 35.3	-	11,653,484
Balance 30 June	**16,024,606**	**14,115,152**

6.3 Retirement funds

CAPE JOINT PENSION FUND

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.

CAPE JOINT RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R20,22) million with a funding level of 103,3% (105,3%) and is in a sound financial position as at 30 June 2008.

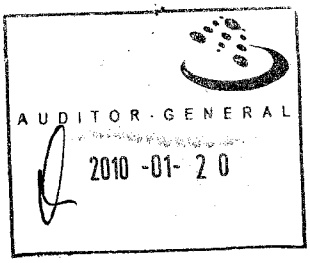
MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is ot available.

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

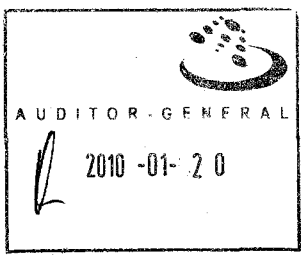
7. CONSUMER DEPOSITS

Water and Electricity	1,856,945	1,693,187
Total Consumer Deposits	**1,856,945**	**1,693,187**



		2009 R	2008 R
8.	**PROVISIONS**		
	Performance Bonuses	432,471	294,338
	Current Portion of Non-Current Provisions	400,000	400,000
	Current Portion of Rehabilitation of Landfill Sites - Note 5	400,000	400,000
	Total Provisions	**832,471**	**694,338**
	The movement in current provisions are reconciled as follows:		
	Rehabilitation of Landfill Sites		
	Balance at beginning of year	400,000	400,000
	Transfer from non-current	-	-
	Contribution to provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	**400,000**	**400,000**

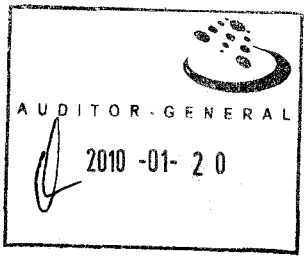
		2009 R	2008 R
	Performance Bonuses		
	Balance at beginning of year	294,338	333,021
	Contribution	432,471	296,734
	Expenditure incurred	(294,338)	(335,417)
	Balance at end of year	**432,471**	**294,338**
9.	**EMPLOYEE BENEFITS**		
	Current Portion of Non-Current Employee Benefits	441,348	505,287
	Current Portion of Post-employment Health Care Benefits - Note 6	441,348	505,287
	Total Current Employee Benefits	**441,348**	**505,287**
	The movement in employee benefits are reconciled as follows:		
	Post Retirement Benefits		
	Balance at beginning of year	505,287	-
	Transfer from non-current	441,348	505,287
	Expenditure incurred	(505,287)	-
	Balance at end of year	**441,348**	**505,287**



For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 6 to the Financial Statements, Other Defined Benefit Plan Information

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

		2009 R	2008 R
10.	**TRADE AND OTHER PAYABLES**		
	Trade Payables	10,545,510	7,180,730
	Payments received in advance	1,131,842	660,130
	Retentions	9,774	-
	Staff Leave Liability	2,054,385	1,041,704
	Personel Bonuses	1,128,195	1,010,407
	Other Creditors	3,929,326	914,046
	Deposits: Other	421,109	508,527
	Total Creditors	**19,220,141**	**11,315,544**
	The movement in provisions for employee benefits are reconciled as follows:		
	Staff Leave		
	Balance at beginning of year	1,041,704	750,989
	Contribution	1,373,738	657,500
	Expenditure incured	(361,057)	(366,785)
	Balance at end of year	**2,054,385**	**1,041,704**
	Personnel Bonus		
	Balance at beginning of year	1,010,407	948,770
	Contribution	2,254,163	61,637
	Expenditure incured	(2,136,375)	-
	Balance at end of year	**1,128,195**	**1,010,407**
11.	**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**		
11.1	***Conditional Grants from other spheres of Government***		
	Unspent Grants	5,528,579	6,758,965
	National Government Grants	378,174	1,069,994
	Provincial Government Grants	3,410,791	3,805,194
	Other Sources	1,739,614	1,883,777
	Less: Unpaid Grants	(2,277,204)	(3,212,593)
	National Government Grants	-	-
	Provincial Government Grants	(971,584)	-
	Other Sources	(1,305,620)	(3,212,593)
	Total Conditional Grants and Receipts	**3,251,375**	**3,546,372**
	See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
12.	**TAXES**		
	VAT Payable	248,319	-
	Total VAT Payable	248,319	-
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
	VAT Receivable	-	2,011,043
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
13.	**SHORT-TERM LOANS**		
	The Municipality has no short term loans.		



14. PROPERTY, PLANT AND EQUIPMENT

14.1 30 JUNE 2009

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2008	22,515,882	72,761,957	7,935,910	-	368,627	6,881,791	-	110,464,167
Cost	29,090,325	97,414,173	11,361,076	-	1,140,000	15,685,604	-	154,691,178
Original Cost	32,736,425	104,134,661	16,064,969	-	1,140,000	16,351,446	-	170,427,501
Correction of Error - Note 35.4	(3,646,100)	(6,720,488)	(4,703,893)			(665,842)		(15,736,323)
Accumulated Depreciation	(6,574,443)	(24,652,216)	(3,425,166)	-	(771,373)	(8,803,813)	-	(44,227,011)
Original Cost	(7,302,392)	(26,499,599)	(6,343,752)	-	(613,373)	(9,058,568)	-	(49,817,684)
Correction of Error - Note 35.4	727,949	1,847,383	2,918,586		(158,000)	254,755		5,590,673
Acquisitions	12,741	2,283,040		2,544,705	110,053	12,341,458	336,686	17,628,683
Capital under Construction	668,807	6,270,513	1,622,567					8,561,887
Depreciation	(525,284)	(5,435,969)	(532,897)	(51,919)	(283,026)	(1,615,833)	(549)	(8,445,477)
Normal Depreciation	(525,284)	(5,435,969)	(532,897)	(51,919)	(283,026)	(1,615,833)	(549)	(8,445,477)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	(118,997)	-	(118,997)
Accumulated Depreciation	-	-	-	-	-	118,997	-	118,997
Carrying value at 30 June 2009	22,672,146	75,879,541	9,025,580	2,492,786	195,653	17,607,416	336,137	128,209,259
Cost	29,771,873	105,967,726	12,983,644	2,544,705	1,250,053	27,908,065	336,686	180,762,751
Original Cost	29,771,873	105,967,726	12,983,644	2,544,705	1,250,053	27,908,065	336,686	180,762,751
Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation	(7,099,727)	(30,088,186)	(3,958,064)	(51,919)	(1,054,399)	(10,300,649)	(549)	(52,553,493)
Original Cost	(7,099,727)	(30,088,186)	(3,958,064)	(51,919)	(1,054,399)	(10,300,649)	(549)	(52,553,493)
Revaluation	-	-	-	-	-	-	-	-

AUDITOR-GENERAL
2010 -01- 20

AUDITOR-GENERAL
2010 -01- 20

14.2 30 JUNE 2008

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2007	25,497,643	67,106,636	10,082,922	-	526,627	6,112,745	-	109,326,573
Cost	32,241,413	88,802,130	15,894,088	-	1,140,000	15,538,758	-	153,616,389
Original Cost	32,241,413	88,802,130	15,894,088		1,140,000	15,538,758		153,616,389
Accumulated Depreciation	(6,743,770)	(21,695,494)	(5,811,166)	-	(613,373)	(9,426,013)	-	(44,289,816)
Original Cost	(6,743,770)	(21,695,494)	(5,811,166)		(613,373)	(9,426,013)		(44,289,816)
Acquisitions	495,012	8,355,043	170,881	-	-	3,452,092	-	12,473,028
Capital under Construction	-	6,977,488	-	-	-	-	-	6,977,488
Depreciation	(558,622)	(4,804,105)	(532,586)	-	-	(1,390,569)	-	(7,285,882)
Normal Depreciation	(558,622)	(4,804,105)	(532,586)	-	-	(1,390,569)	-	(7,285,882)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	(881,391)	-	(881,391)
Cost						(2,639,404)		(2,639,404)
Accumulated Depreciation						1,758,013		1,758,013
Carrying value at 30 June 2008	25,434,033	77,635,062	9,721,217	-	526,627	7,292,877	-	120,609,816
Cost	32,736,425	104,134,661	16,064,969	-	1,140,000	16,351,446	-	170,427,501
Original Cost	32,736,425	104,134,661	16,064,969		1,140,000	16,351,446		170,427,501
Revaluation								-
Accumulated Depreciation	(7,302,392)	(26,499,599)	(6,343,752)	-	(613,373)	(9,058,568)	-	(49,817,684)
Original Cost	(7,302,392)	(26,499,599)	(6,343,752)		(613,373)	(9,058,568)		(49,817,684)
Revaluation								-

14.3 Other Information

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in Directive 4. The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets and other property plant and equipment using global or other historical costs recorded in the accounting records.

		2009 R	2008 R
15.	**LONG TERM RECEIVABLES**		
	Staff Car Loans - @ 6% - At amortised cost	109,428	220,998
	Sport Organisation Loans - @8% - At amortised cost	131,496	171,883
	Sport Organisations Loans - previously reported	131,496	249,221
	Correction of Error - Note 35.1	-	(77,338)
	Housing Selling Scheme Loans - At amortised cost	584,412	605,657
	Housing Selling Scheme Loans - previously reported	584,412	592,874
	Correction of Error - Note 35.1	-	12,783
		825,336	998,538
	Less: Unamortised Discount on Loans	(31,417)	(95,643)
	Balance 1 July	(95,643)	-
	Adjustment for the period	64,225	30,457
	Change in Accounting Policy - Note 34.2	-	(126,100)
		793,918	902,895
	Less: Current portion transferred to current receivables	(155,447)	(162,418)
	Staff Car Loans - At amortised cost	(109,428)	(120,295)
	Sport Organisation Loans - At amortised cost	(46,019)	(42,123)
		638,471	740,477
	Less: Provision for Impairment of Long Term Receivables	-	-
	Total Long Term Receivables	**638,471**	**740,477**
16.	**INVENTORY**		
	Fuel - At cost	214,660	209,999
	Water	63,153	55,390
	Total Inventory	**277,813**	**265,389**
17.	**TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Water	3,364,946	2,724,238
	Electricity	5,467,586	4,436,068
	Housing Rentals	308,945	370,958
	Refuse	3,001,814	1,807,103
	Sewerage	2,686,667	1,998,231
	Other Arrears	7,152,795	5,087,758
	Total: Trade receivables from exchange transactions (before provision)	**22,182,753**	**16,424,356**
	Provision for Impairments	(6,839,662)	(3,297,666)
	Total: Trade receivables from exchange transactions (after provision)	**15,343,091**	**13,126,690**

The fair value of other receivables approximate their carrying value.

(Electricity): Ageing

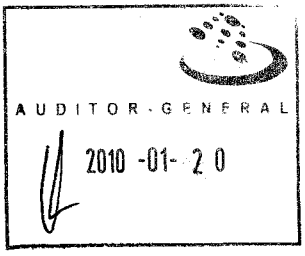
Current (0 - 30 days)	3,079,902	2,675,695
31 - 60 Days	196,389	207,950
61 - 90 Days	128,111	99,958
+ 90 Days	2,063,184	1,452,465
Total	**5,467,586**	**4,436,068**

(Water): Ageing

Current (0 - 30 days)	987,387	935,877
31 - 60 Days	183,828	163,973
61 - 90 Days	157,084	141,922
+ 90 Days	2,036,647	1,482,466
Total	**3,364,946**	**2,724,238**

(Housing): Ageing

Current (0 - 30 days)	9,749	9,105
31 - 60 Days	3,354	2,868
61 - 90 Days	2,920	2,677
+ 90 Days	292,922	356,308
Total	**308,945**	**370,958**



	2009 R	2008 R
(Refuse): Ageing		
Current (0 - 30 days)	923,142	629,960
31 - 60 Days	181,985	118,416
61 - 90 Days	152,956	103,913
+ 90 Days	1,743,731	954,814
Total	**3,001,814**	**1,807,103**
(Sewerage): Ageing		
Current (0 - 30 days)	783,599	535,141
31 - 60 Days	143,960	112,317
61 - 90 Days	122,089	97,884
+ 90 Days	1,837,019	1,252,889
Total	**2,886,667**	**1,998,231**
(Other): Ageing		
Current (0 - 30 days)	3,447,936	2,917,926
31 - 60 Days	108,039	80,801
61 - 90 Days	603,330	70,593
+ 90 Days	2,993,490	2,089,622
Total	**7,152,795**	**5,158,942**
(Total): Ageing		
Current (0 - 30 days)	9,231,715	7,632,520
31 - 60 Days	817,555	686,325
61 - 90 Days	1,166,490	516,947
+ 90 Days	10,966,993	7,588,564
Total	**22,182,753**	**16,424,356**
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	3,297,666	3,297,666
Contribution to provision	3,541,996	-
Bad Debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	**6,839,662**	**3,297,666**

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	8,710,221	8,626,737
Other Debtors	4,188,509	1,602,875
	12,898,730	10,229,612
Less: Provision for bad debts	(1,779,149)	(1,779,149)
Total Other Receivables from non-exchange transactions	**11,119,581**	**8,450,463**

The fair value of other receivables approximate their carrying value.

(Rates): Ageing		
Current (0 - 30 days)	1,600,651	1,310,870
31 - 60 Days	277,823	241,012
61 - 90 Days	262,306	207,537
+ 90 Days	6,569,441	6,867,318
Total	**8,710,221**	**8,626,737**

AUDITOR-GENERAL
2010 -01- 20

	2009 R	2008 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	1,779,149	415,749
Contribution to provision	-	1,363,400
Bad Debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	**1,779,149**	**1,779,149**

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19. OPERATING LEASE ARRANGEMENTS

19.1 The Municipality as Lessor

Operating Leases	23,245	22,427
Balance on 30 June	**23,245**	**22,427**

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

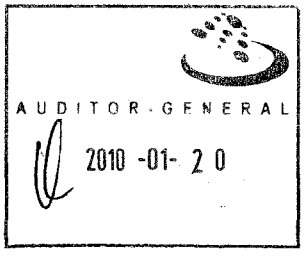
Up to 1 Year	129,148	151,729
1 to 5 Years	399,066	339,066
More than 5 Years	1,187,402	1,376,550
Total Operating Lease Arrangements	**1,715,616**	**1,867,345**
Reconciliation		
Balance on 1 July	22,427	-
Change in accounting policy - Note 34.4	-	20,793
Movement during the year	818	1,634
Balance on 30 June	**23,245**	**22,427**

19.2 The Municipality as Lessee

Operating Leases	33,526	27,306
Balance on 30 June	33,526	27,306

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	194,561	149,601
1 to 5 Years	244,279	438,840
More than 5 Years	-	-
Total Operating Lease Arrangements	**438,840**	**588,441**
Reconciliation		
Balance on 1 July	27,306	-
Change in accounting policy - Note 34.5	-	24,968
Movement during the year	6,220	2,338
Balance on 30 June	**33,526**	**27,306**



		2009 R	2008 R
20.	**CASH AND CASH EQUIVALENTS**		
20.1	**Assets**		
	Call Investments Deposits	-	35,756,456
	Primary Bank Account	32,491,484	-
	Cash Floats	7,139	7,139
	Total Cash and Cash Equivalents - Assets	**32,498,623**	**35,763,595**
20.2	**Liabilities**		
	Primary Bank Account	-	6,810,500
	Total Cash and Cash Equivalents - Liabilities	**-**	**6,810,500**
	The municipality has the following bank accounts:		
	Current Accounts		
	ABSA Bank Limited - Account Number 11 8056 0153 (Primary Bank Account):	32,292,224	(6,810,500)
	ABSA Bank Limited - - Account Number 9125109603 (Traffic Account):	199,260	-
		32,491,484	**(6,810,500)**
	ABSA Bank Limited - Account Number 11 8056 0153 (Primary Bank Account):		
	Cash book balance at beginning of year	(6,810,500)	6,698,057
	Cash book balance at end of year	32,292,224	(6,810,500)
	Bank statement balance at beginning of year	1,612,483	12,393,056
	Bank statement balance at end of year	36,962,850	1,612,483
	ABSA Bank Limited - Account Number 9125109603 (Traffic Account):		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	199,260	-
	Bank statement balance at beginning of year	-	-
	Bank statement balance at end of year	199,260	-
21.	**PROPERTY RATES**		
	Actual		
	Residential, Commercial, State	26,179,296	21,229,361
	Total Assessment Rates	**26,179,296**	**21,229,361**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

The basic rate was 1,99 c per Rand on land and buildings (2008 = 1,53c/R).

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

22.	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Equitable Share	11,929,993	8,963,513
	Other - Operating Grants	4,713,532	14,460,685
	Other - Capital Grants	7,225,062	1,292,362
	Subsidies	445,184	-
	Total Government Grants and Subsidies	**24,313,771**	**24,716,560**
23.	**SERVICE CHARGES**		
	Electricity	**34,220,036**	**29,383,610**
	Service Charges	35,068,260	29,634,488
	Less: Rebates	(848,224)	(250,878)
	Water	**10,236,623**	**9,568,162**
	Service Charges	11,598,511	9,733,798
	Less: Rebates	(1,361,888)	(165,636)
	Refuse Removal	**6,905,482**	**5,779,104**
	Service Charges	7,752,063	6,509,705
	Less: Rebates	(846,581)	(730,601)

AUDITOR-GENERAL
2010 -01- 20

Sewerage and Sanitation Charges	**5,388,178**	**3,852,583**
Service Charges	6,159,275	4,574,791
Less: Rebates	(771,097)	(722,208)
Total Service Charges	**56,750,319**	**48,583,459**

		2009 R	2008 R
24.	**INTEREST EARNED - EXTERNAL INVESTMENTS**		
	Bank	4,631,076	4,157,105
	Other	-	-
	Total Interest Earned - External Investments	**4,631,076**	**4,157,105**
25.	**OTHER INCOME**		
	Admin Fees	15,757	5,155
	Cemetery	182,264	139,441
	Fire Station	-	2,439
	Photocopies	35,315	37,486
	Private Works	12,866	37,932
	Sale of Refuse Bags	910	1,131
	Search Fee	9,015	412
	Sundry Income	2,040,740	905,429
	Surplus Cash	667	713
	Swimming Pools	11,674	11,658
	Total Other Income	**2,309,208**	**1,141,795**
26.	**EMPLOYEE RELATED COSTS**		
	Employee Related Costs - Salaries and Wages	29,652,525	23,673,769
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6,899,354	6,537,325
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3,062,011	2,736,578
	Housing Benefits and Allowances	453,715	395,505
	Overtime Payments	1,525,966	1,935,217
	Bonuses	2,686,634	1,723,611
		44,280,205	37,002,005
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	**44,280,205**	**37,002,005**

KEY MANAGEMENT PERSONNEL

Key mangement personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager		
Annual Remuneration	576,646	531,350
Traveling Allowance	121,491	166,512
Performance Bonus	76,736	-
Contributions to UIF, Medical and Pension Funds	61,200	11,192
Total	**836,073**	**709,054**
Remuneration of the Deputy Municipal Manager (5 months)		
Annual Remuneration	-	127,857
Car Allowance	-	46,236
Leave Pay	-	26,437
Severance Package	-	688,880
Performance Bonus	-	68,012
Contributions to UIF, Medical and Pension Funds	-	14,637
Total	**-**	**972,059**
Remuneration of the Director : Finance		
Annual Remuneration	300,660	322,951
Car Allowance	138,313	126,053
Performance Bonus	74,557	63,121
Contributions to UIF, Medical and Pension Funds	35,738	84,655
Total	**549,268**	**596,780**
Remuneration of Director : Administration		
Annual Remuneration	300,660	322,951
Car Allowance	150,232	124,924
Performance Bonus	53,255	63,121
Contributions - UIF, Medical, Pension	31,676	84,530
Total	**535,823**	**595,526**

AUDITOR-GENERAL
2010 -01- 20

	2009 R	2008 R
Remuneration of Director : Community Services		
Annual Remuneration	300,660	322,951
Car Allowance	138,898	127,650
Performance Bonus	-	63,121
Contributions - UIF, Medical, Pension	44,930	84,655
Total	**484,488**	**598,377**
Remuneration of Director : Technical Services		
Annual Remuneration	300,660	322,951
Car Allowance	136,398	125,255
Performance Bonus	37,278	63,121
Contributions - UIF, Medical, Pension	39,800	84,655
Total	**514,136**	**595,982**
Remuneration of Director : Strategy		
Annual Remuneration	319,000	-
Car Allowance	47,833	-
Performance Bonus	33,333	-
Contributions - UIF, Medical, Pension	1,497	-
Total	**401,663**	**-**

27. REMUNERATION OF COUNCILLORS

Mayor	301,473	-
Speaker	253,150	-
Chairpersons of committees	526,097	-
Councillors	829,889	2,881,642
Travelling allowance	804,962	-
Telephone allowance	168,913	-
Pension fund contributions	230,038	-
Medical aid contributions	51,840	-
Total Councillors' Remuneration	**3,166,362**	**2,881,642**

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

EC LeRoux

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Signed: Municipal Manager

28. DEBT IMPAIRMENT

Other Receivables from non-exchange transactions - Note 18	3,541,992	1,363,400
Total Contribution to Bad Debts Provision	**3,541,992**	**1,363,400**

29. DEPRECIATION AND AMORTISATION

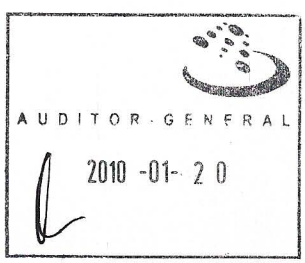
Property, plant and equipment	8,445,478	7,742,182
Total Depreciation and Amortisation	**8,445,478**	**7,742,182**

30. FINANCE COSTS

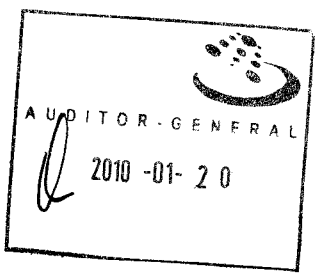
Long-term Liabilities	2,022,714	2,005,997
Overdraft Facilities	-	-
Total Finance Costs	**2,022,714**	**2,005,997**

31. BULK PURCHASES

Electricity	21,720,387	15,853,479
Water	2,882,498	2,614,514
Total Bulk Purchases	**24,602,885**	**18,467,993**



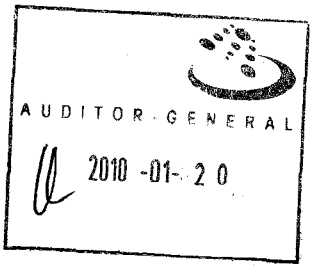
		2009 R	2008 R
32.	**GENERAL EXPENSES**		
	General Expenses	**18,437,197**	**21,779,644**
	General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
33.	**GAIN/ (LOSS) ON SALE OF ASSETS**		
	Property, plant and equipment	-	316,609
	Total Gain/ (Loss) on Sale of Assets	**-**	**316,609**
34.	**CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GAMAP/GRAP**		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP/GRAP:		
34.1	**Long-term Liabilities**		
	Balance previously reported:	**-**	**16,117,827**
	Implementation of GRAP:		
	Unamortised Discount on long-term liabilities - Note 4	-	(1,740,660)
	Restated Balance	**-**	**14,377,167**
34.2	**Long-term Receivables**		
	Balance previously reported:	**-**	853,794
	Implementation of GRAP		
	Unamortised Discount on long-term receivables - Note 17	-	(126,100)
	Restated Balance	**-**	**727,694**
34.3	**Non-current Provisions**		
	Balance previously reported:		-
	Implementation of GRAP		
	Post-employment Health Care Benefits recognised - Note 6	-	9,502,333
	Current Service Cost for 2007/2008 - Note 6	-	415,241
	Interest Cost for 2007/2008 - Note 6	-	769,725
	Employee Benefits Paid for 2007/2008 - Note 6	-	(432,760)
	Actuarial Loss for 2007/2008 - Note 6	-	1,630,275
	Restated Balance	**-**	**11,884,794**
34.4	**Operating Lease Assets**		
	Balance previously reported		-
	Implementation of GRAP		
	Operating Lease Assets previously not recognised - Note 19.1	-	20,793
	Movement for 2007/2008	-	1,634
	Restated Balance	**-**	**22,427**



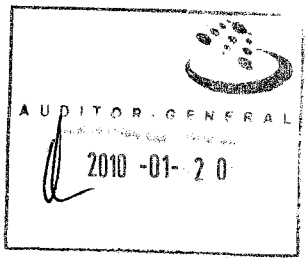
	2009 R	2008 R
34.5 Operating Lease Liability		
Balance previously reported		-
Implementation of GRAP		
Operating Lease Liabilities previously not recognised - Note 19.2	-	24,968
Movement for 2007/2008	-	2,338
Restated Balance	**-**	**27,306**
34.6 Trade Receivables from non-exchange transactions		
Balance previously reported		
Implementation of GRAP		
Unpaid Government Grants and Subsidies	-	3,799,708
Total	**-**	**3,799,708**
Transfer to Unpaid Conditional Government Grants and Receipts - Note 11	-	3,799,708
Total	**-**	**3,799,708**
34.7 Unspent Concitional Government Grants and Receipts		
Balance previously reported		
Implementation of GRAP		
SETA Training Fund	-	138,524
Total	**-**	**138,524**
Transfer to Other Creditors - Note 10	-	138,524
Total	**-**	**138,524**
34.8 Capitalisation Reserve		
Balance previously reported	**-**	**16,146,301**
Implementation of GRAP		
Reversal of Capitalisation Reserve - Note 3	-	(16,146,301)
Restated Balance	**-**	**-**
34.9 Government Grant Reserve		
Balance previously reported	**-**	**44,973,042**
Implementation of GRAP		
Reversal of Government Grant Reserve - Note 3	-	(44,973,042)
Restated Balance	**-**	**-**
34.10 Accumulated Surplus/(Deficit) - 1 July 2007		
Implementation of GRAP		
Unamortised Discount on long-term liabilities - Note 4	-	1,740,660
Unamortised Discount on long-term receivables - Note 15	-	(126,100)
Post-employment Health Care Benefits recognised - Note 6	-	(9,502,333)
Reversal of Capitalisation Reserve - Note 3	-	16,146,301
Reversal of Government Grant Reserve - Note 3	-	44,973,042
Operating Lease Assets previously not recognised - Note 19.1	-	20,793
Operating Lease Liabilities previously not recognised - Note 19.2	-	(24,968)
Total	**-**	**53,227,396**
34.11 Accumulated Surplus/(Deficit) - 2007/2008		
Implementation of GRAP		
Unamortised discount paid on long-term liabilities recognised for 2007/2008 - Note 4	-	(197,220)
Unamortised discount received on long-term receivables recognised for 2007/2008 - Note 15	-	30,457
Current Service Cost for 2007/2008 - Note 6	-	(415,241)
Interest Cost for 2007/2008 - Note 6	-	(769,725)
Employee Benefits Paid for 2007/2008 - Note 6	-	432,780
Actuarial Loss for 2007/2008 - Note 6	-	(1,630,275)
Movement on Operating Lease Assets for 2007/2008 - Note 19.1	-	1,634
Movement on Operating Lease Liabilities for 2007/2008 - Note 19.2	-	(2,338)
Total	**-**	**(2,549,929)**

AUDITOR-GENERAL
2010 -01- 20

		2009 R	2008 R
35.	**CORRECTION OF ERROR IN TERMS OF GRAP 3**		
35.1	**Long-term Receivables**		
	Balance previously reported	-	**1,063,093**
	Correction of Sport Club Loans - Note 15	-	(59,698)
	Contributions to Sport Clubs for 2007/2008 - Note 15	-	(17,640)
	Redemption on housing selling scheme loans not previously recognised - Note 15		12,783
	Redemption prior to 1 July 2007		31,824
	Redemption for 2007/2008		(19,041)
	Restated Balance	-	**998,538**
35.2	**Consumer Deposits**		
	Balance previously reported	-	**1,766,061**
	Correction of Consumer Deposit Register - Note 7	-	(72,874)
	Restated Balance	-	**1,693,187**
35.3	**Non-current Provisions**		
	Balance previously reported	-	**2,461,688**
	Correction of Provision for Land-fill sites - Note 5	-	11,653,485
	Restated Balance	-	**14,115,173**
35.4	**Property, Plant and Equipment**		
	Balance previously reported	-	**120,609,817**
	Depreciation on lease assets recognised for 2007/2008 - Note 14	-	(228,000)
	Administration costs incorrectly capitalised in 2007/2008 - Note 14	-	(527,138)
	Development costs incorrectly capitalised in 2007/2008 - Note 14	-	(1,833,497)
	VAT incorrectly capitalised in 2007/2008 - Note 14	-	(664,523)
	Repairs and maintenance incorrectly capitalised in 2007/2008 - Note 14	-	(68,614)
	Prior year Statement of Changes in Net Assets transactions recorded against PPE	-	5,526,328
	Items of PPE previously recognised incorrectly - Note 14	-	(12,350,206)
	Cost		(18,168,879)
	Accumulated Depreciation		5,818,673
	Restated Balance	-	**110,464,167**
35.5	**Taxes**		
	Balance previously reported	-	**(1,751,077)**
	VAT incorrectly capitalised in 2007/2008 - Note 35.4	-	664,523
	VAT disclosed incorrectly as other debtor in prior year - Note 35.10		39,578
	Correction of potential VAT liablility towards SARS		3,058,019
	Restated Balance	-	**2,011,043**
35.6	**Trade Payables**		
	Balance previously reported	-	**5,393,653**
	Trade Payables not previously recognised prior to 1 July 2007 - Note 10	-	221,006
	Trade Payables not previously recognised in 2007/2008 - Note 11		1,566,071
	Restated Balance	-	**7,180,730**
35.7	**Retentions**		
	Balance previously reported	-	**6,225**
	Correction of retentions paid back to contractors - Note 10	-	(6,225)
	Restated Balance	-	-
35.8	**Deposits: Other**		
	Balance previously reported	-	**775,224**
	Correction of Hall Deposits - Note 10	-	(4,502)
	Rental Deposits recognised in Statement of Financial Performance in 2007/2008 - Note 10	-	387
	Correction of Building Deposit received before 1 July 2007 - Note 10	-	(274,732)
	Builders Deposits not recognised in 2007/2008 - Note 10	-	12,150
	Restated Balance	-	**508,527**



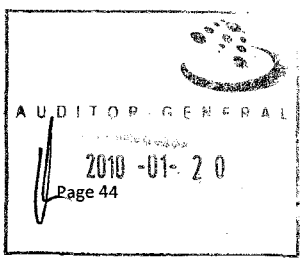
	2009 R	2008 R
35.9 Other Creditors		
Balance previously reported	-	**2,481,059**
Other Income recognised incorrectly as Other Creditors in 2007/2008 - Note 10	-	(20,156)
Building Fees recognised incorrectly as Other Creditors in 2007/2008 - Note 10	-	(20,900)
Income for Agency Services recognised incorrectly as Other Creditors in 2007/2008 - Note 10	-	(102,927)
Amounts recognised incorrectly as Other Creditors - Note 10	-	(1,526,471)
Rental of Facilities and Equipment recognised incorrectly as Other Creditors in 2007/2008 - Note 10	-	(67,522)
Accumulated Interest on DBSA loan understated in 2007/2008 - Note 10	-	32,444
Restated Balance	-	**775,526**
35.10 Other Debtors		
Balance previously reported	-	**1,761,827**
Correction of Eskom Deposits - Note 18	-	(1,221)
Correction of Gas Deposits - Note 18	-	(1,284)
Amounts recognised incorrectly as Other Debtors - Note 18	-	(352)
Other Debtors overstated in previous years - Note 18	-	264,404
Operating Expenses before 1 July 2007 recognised incorrectly as Other Debtors - Note 18	-	(373,781)
Cash Floats included incorrectly under Debtors: Other in 2007/2008 - Note 18	-	(7,139)
VAT disclosed incorrectly as other debtor in prior year - Note 35.5		(39,578)
Restated Balance	-	**1,602,875**
35.11 Unpaid Conditional Government Grants and Receipts		
Balance previously reported	-	-
Operating Expenses before 1 July 2007 recognised incorrectly as Unpaid Conditional Government Grants and Receipts - Note 11.2	-	(587,115)
Total	-	**(587,115)**
35.12 Unspent Conditional Government Grants and Receipts		
Balance previously reported	-	**6,960,094**
Operating Grant Expenditure not allocated to Conditional Government Grants - Note 11.1	-	(62,605)
Total	-	**6,897,489**
35.13 Cash and Cash Equivalents		
Balance previously reported	-	**28,979,198**
Interest received for June 2008 recorded incorrectly in July 2008 - Note 20.1	-	5,240
Expired EFT payments from prior years corrected		(14,711)
EFT's not posted in cash book in prior years		(21,581)
Cancelled cheques not recorded in prior years		(783)
RD cheque not recorded in prior years		21,006
Prior years income receipted in current year- Note 20.1	-	(15,274)
Restated Balance	-	**28,953,095**
35.14 Trade Receivables form exchange transactions		
Balance previously reported	-	**13,200,506**
Corrections on consumer accounts - Service Charges duplicated - Note 17	-	(71,184)
Debtor invoiced twice in prior years - Note 17		(2,632)
Restated Balance	-	**13,126,690**
35.15 Cash Floats		
Balance previously reported	-	-
Cash Floats included incorrectly under Debtors: Other in 2007/2008 - Note 35.10	-	7,139
Restated Balance	-	**7,139**
35.16 Housing Development Fund		
Balance previously reported	-	**2,434,152**
Redemption on Housing Selling Scheme Loans not recorded in prior years - Note 2	-	33,679
Redemption on Housing Selling Scheme Loans not recorded in 2007/2008 - Note 35.1	-	(19,041)
Restated Balance	-	**2,448,790**



	2009 R	2008 R
35.17 Accumulated Surplus/(Deficit) - 1 July 2007		
Correction of Sport Club Loans - Note 35.1	-	(59,698)
Correction of Consumer Deposit Register - Note 35.2	-	72,874
Correction of Provision for Land-fill sites - Note 35.3	-	(11,653,485)
Items of PPE previously recognised incorrectly - Note 35.4	-	(12,336,925)
Trade Payables not previously recognised - Note 35.6	-	(221,006)
Correction of retentions paid back to contractors - Note 35.7	-	6,225
Correction of Hall Deposits - Note 35.8	-	4,502
Correction of Building Deposit received before 1 July 2007 - Note 35.8	-	274,732
Builders Deposits not recognised in 2007/2008 - Note 35.8	-	(12,150)
Amounts recognised incorrectly as Other Creditors - Note 35.9	-	1,526,471
Correction of Accumulated Depreciation - Note 35.4	-	5,526,328
Correction of Eskom Deposits - Note 35.10	-	(1,221)
Correction of Gas Deposits - Note 35.10	-	(1,284)
Amounts recognised incorrectly as Other Debtors - Note 35.10	-	(352)
Other Debtors overstated in previous years - Note 35.10	-	264,404
Operating Expenses before 1 July 2007 recognised incorrectly as Other Debtors - Note 35.10	-	(373,781)
Operating Expenses before 1 July 2007 recognised incorrectly as Unpaid Conditional Government Grants and Receipts - Note 35.11	-	(587,115)
Operating Grant Expenditure not allocated to Conditional Government Grants - Note 35.12	-	62,605
Expired EFT payments from prior years corrected		(14,711)
EFT's not posted in cash book in prior years		(21,581)
Cancelled cheques not recorded in prior years		(783)
RD cheque not recorded in prior years		21,006
Correction of potential VAT liablility towards SARS		3,058,019
Redemption on housing selling scheme loans not previously recognised - Note 35.1		12,783
Redemption on Housing Selling Scheme Loans not recorded in prior years - Note 35.16		(33,679)
Debtor invoiced twice in prior years - Note 35.14		(2,632)
Prior years income receipted in current year- Note 35.13	-	(15,274)
Total	**-**	**(14,505,727)**
35.18 Accumulated Surplus/(Deficit) - 2007/2008		
Interest Received for June 2008 recorded incorrectly in July 2009 - Note 35.13	-	5,240
Contributions to Sport Clubs for 2007/2008 - Note 35.1	-	(17,640)
Rental Deposits recognised in Statement of Financial Performance in 2007/2008 - Note 35.8	-	(387)
Depreciation on lease assets recognised for 2007/2008 - Note 35.4	-	(228,000)
Administration costs incorrectly capitalised in 2007/2008 - Note 35.4	-	(527,138)
Development costs incorrectly capitalised in 2007/2008 - Note 35.4	-	(1,833,497)
Repairs and maintenance incorrectly capitalised in 2007/2008 - Note 35.4	-	(68,614)
Other Income recognised incorrectly as Other Creditors in 2007/2008 - Note 35.9	-	20,156
Trade Payables not recognised in 2007/2008 - Note 35.6		(1,566,071)
Building Fees recognised incorrectly as Other Creditors in 2007/2008 - Note 35.9	-	20,900
Income for Agency Services recognised incorrectly as Other Creditors in 2007/2008 - Note 35.9	-	102,927
Rental of Facilities and Equipment recognised incorrectly as Other Creditors in 2007/2008 - Note 35.9	-	67,522
Corrections on consumer accounts - Service Charges duplicated - Note 35.14	-	(71,184)
Accumulated Interest on DBSA loan understated in 2007/2008 - Note 35.9	-	(32,444)
Total	**-**	**(4,128,231)**

36. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	7,967,545	1,900,869
Adjustments for:		
Depreciation and amortisation	8,445,478	7,514,182
Amortisation of Intangible Assets		
Gain on disposal of property, plant and equipment	-	(316,609)
Actuarial (Gain)/Loss	(100,748)	1,630,275
Investment income	(7,294,305)	(6,115,573)
Finance Costs	2,022,714	2,005,997
Operating Surplus/(Deficit) before changes in working capital	11,040,684	6,619,140
Changes in working capital	8,549,510	2,389,564
Increase/(Decrease) in Consumer Deposits	163,758	144,238
Increase/(Decrease) in Provisions	2,436,834	11,424,877
Increase/(Decrease) in Employee Benefits	1,247,715	582,309
Increase/(Decrease) in Trade and Other Payables	7,719,487	375,891
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1,380,628)	(1,960,777)
Increase/(Decrease) in Taxes	2,319,495	(150,919)
Increase/(Decrease) in Operating Lease Liability	6,220	27,306
(Increase)/Decrease in Inventory	(12,424)	(80,497)
(Increase)/Decrease in Trade Receivables from exchange transactions	(2,216,402)	(1,702,975)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(2,669,116)	(6,096,543)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	935,389	(150,919)
(Increase)/Decrease in Operating Lease Asset	(818)	(22,427)
Cash generated/(absorbed) by operations	**19,590,194**	**9,008,704**



		2009 R	2008 R
37.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 20	-	35,756,456
	Cash Floats - Note 20	7,139	7,139
	Bank account - Note 20	32,491,484	-
	Bank overdraft - Note 20	-	(6,810,500)
	Total cash and cash equivalents	**32,498,623**	**28,953,094**
38.	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 4	18,727,555	14,183,362
	Used to finance property, plant and equipment - at cost	(18,727,555)	(14,183,362)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

39. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident		Disciplinary steps/criminal proceedings
Over expenditure of approved budget		*None*

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	67,061	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	**67,061**	-

Incident		Disciplinary steps/criminal proceedings
Interest paid to SARS		*Appeal was made to SARS for write-off of interest levied*

39.3 Irregular expenditure

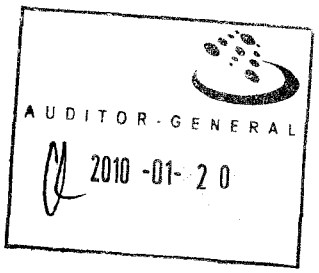
Reconciliation of irregular expenditure:		
Opening balance	8,554,246	-
Irregular expenditure current year	-	8,554,246
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	**8,554,246**	**8,554,246**

Incident		Disciplinary steps/criminal proceedings
Non-compliance with SCM regulations		*None*

40. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	135,348	217,164
Amount paid - current year	(135,348)	(217,164)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**



		2009 R	2008 R
40.2	**Audit fees - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year audit fee	916,789	877,281
	Amount paid - current year	(916,789)	(877,281)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-
40.3	**VAT - [MFMA 125 (1)(b)]**		
	Opening balance	(256,082)	84,871
	Amounts received - current year	4,661,046	614,690
	Amounts claimed - current year (payable)	(5,772,634)	951,701
	Amount paid - current year	-	(1,822,473)
	Amount paid - previous year	-	(84,871)
	Closing balance	**(1,367,670)**	**(256,082)**
40.4	**PAYE and UIF - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year payroll deductions	4,331,623	-
	Amount paid - current year	(4,345,888)	-
	Balance unpaid (included in creditors)	**(14,265)**	-
40.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	8,758,077	-
	Amount paid - current year	(8,758,077)	-
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-

40.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

No Councillors had arrear accounts for more than 90 days as at 30 June 2009.

40.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act

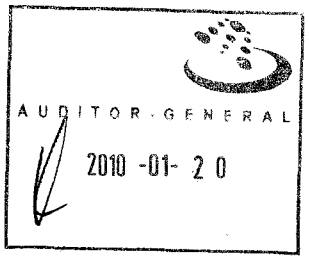
Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Executive & Council	80,759	-	-	-
Corporate Services	13,591	-	-	-
Community Services	-	46,728	-	-
Financial Services	-	-	-	-
Technical Services	-	495,000	-	-
Electrical Services	-	-	-	-
Town Planning	-	-	-	-
Strategic Services	-	-	-	-
	94,350	541,728	-	-

40.8 Material losses - [MFMA 125 (2)(d)]

The following material distribution losses incurred during the year:

Water (%)	25.97	18.78
Water (Rand Value)	3,213,632	2,113,821
Electricity (%)	11.76	9.29
Electricity (Rand Value)	2,274,654	1,306,440



	2009 R	2008 R
41. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Approved but not yet contracted for	42,767,880	44,277,400
Infrastructure	24,941,000	10,313,000
Community	11,816,880	16,171,200
Other	6,010,000	17,793,200
Total	**42,767,880**	**44,277,400**
This expenditure will be financed from:		
External Loans	14,850,000	11,480,000
Capital Replacement Reserve	11,804,000	12,890,000
Government Grants	10,913,880	19,907,400
Own Resources		
District Council Grants	5,200,000	
	42,767,880	**44,277,400**

42. RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 30 June 2008.

43. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

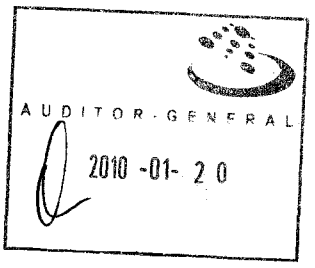
For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.



(e) Other Risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

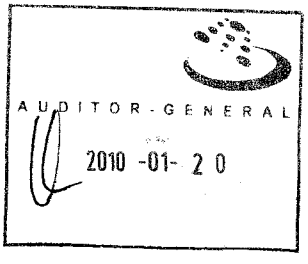
Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2009 R	2008 R
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:		
Long Term Receivables	638,471	727,693
Trade receivables from exchange transactions	15,343,092	13,126,690
Other receivables from non-exchange transactions	11,119,581	8,450,465
Other Debtors	2,300,449	3,235,020
Current Portion of Long-term Receivables	155,447	162,418
Short-term Investment Deposits	-	35,756,456
Bank and Cash Balances	32,505,762	(6,803,361)
Maximum Credit and Interest Risk Exposures	**62,062,801**	**54,655,381**

44. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial Assets	Classification		
Long-term Receivables			
Staff and Sport Club Loans	Loans and Receivables	638,471	727,693
Consumer Debtors			
Trade receivables from exchange transactions	Loans and Receivables	15,343,092	13,126,690
Other receivables from non-exchange transactions	Loans and Receivables	11,119,581	8,450,465
Other Debtors			
Operating Lease Assets	Loans and Receivables	23,245	22,427
Government Subsidies and Grants	Loans and Receivables	2,277,204	3,212,593
Current Portion of Long-term Receivables			
Staff and Sport Club Loans	Loans and Receivables	155,447	162,418
Short-term Investment Deposits			
Call Deposits	Held to maturity	-	35,756,456
Cash and Cash Equivalents			
Bank Balances	Held to maturity	32,498,623	(6,810,500)
Cash Floats and Advances	Held to maturity	7,139	7,139
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Short-term Investment Deposits	Call Deposits	-	35,756,456
Bank Balances		32,498,623	(6,810,500)
Cash Floats and Advances		7,139	7,139
		32,505,762	**28,953,095**



Loans and Receivables			
Long-term Receivables	Staff and Sport Club Loans	638,471	727,693
Consumer Debtors	Exchange transactions	15,343,092	13,126,690
Consumer Debtors	Non-exchange transactions	11,119,581	8,450,465
Other Debtors	Payments made in advance	-	-
Other Debtors	Government Subsidies and Grants	2,277,204	3,212,593
Current Portion of Long-term Receivables	Staff and Sport Club Loans	155,447	162,418
Operating Lease Asset	Operating Lease Asset	23,245	22,427
		29,557,040	**25,702,286**
Total Financial Assets		**62,062,801**	**54,655,381**
Financial Liabilities	**Classification**		
Long-term Liabilities			
Annuity Loans	At amortised cost	16,528,267	17,651,154
Capitalised Lease Liability	At amortised cost	99,532	362,371
Non-current Provisions			
Rehabilitation of Landfill-sites	At amortised cost	15,624,606	13,715,152
Provisions			
Performance Bonuses	At amortised cost	432,471	294,338
Trade and Other Payables			
Payables	At amortised cost	19,220,141	11,315,544
Unspent Conditional Government Grants and Receipts			
National Government Grants	At amortised cost	378,174	1,069,994
Provincial Governement Grants	At amortised cost	3,410,791	3,805,194
Other Sources	At amortised cost	1,589,372	1,883,777
SUMMARY OF FINANCIAL LIABILITIES			
At amortised cost:			
Long-term Liabilities		18,627,799	18,013,525
Non-current Provisions		15,624,606	13,715,152
Provisions		432,471	294,338
Trade and Other Payables		19,220,141	11,315,544
Unspent Conditional Government Grants and Receipts		5,378,337	6,758,965
Total Financial Liabilities		**59,283,354**	**50,097,524**

45. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

46. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

48. CONTINGENT LIABILITY

The municipality is not aware of any contingent liabilities.

49. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

49.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

49.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

AUDITOR-GENERAL
2010 -01- 20

		2009 R	2008 R

50. EXEMPTIONS TAKEN ACCORDING TO DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

GRAP 12 Inventories

The municipality opted to take advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment or Agricultural Assets.

The municipality is currently in a process of measuring all inventories in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

GRAP 16 Investment Properties

The municipality opted to take advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

The municipality is currently in a process of identifying and measuring all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

GRAP 17 Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land
Small asset items below a R10 000 threshold previously expensed
Property, Plant and Equipment financed by way of finance leases
Property, Plant and Equipment financed by way of provisions
Property, Plant and Equipment transferred as a result of the transfer of functions
Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements.The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Other small assets identified previously expensed	12,350,206	-
	12,350,206	**-**

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009.

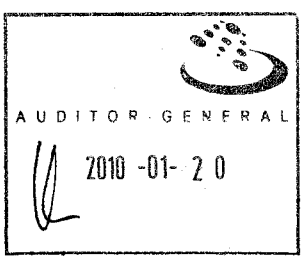
The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

GRAP 102 Intangible Assets

The municipality opted to take advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

Computer Software
Intangible assets financed by way of finance leases
Intangible assets transferred as a result of the transfer of functions
Servitudes

The municipality is currently in a process of measuring all Intangible Assets in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements.



51. PROCESS TO COMPLY FULLY WITH THE IMPLEMENTATION OF GENERAL RECOGNISED ACCOUNTING PRACTICES (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliant financial reporting.

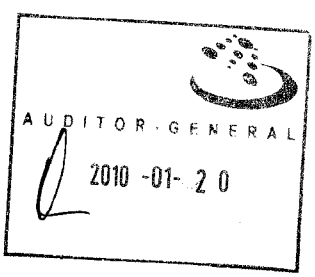
52. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 18	**Segment Reporting** Information to a large extent is already included in Appendix D of the annual financial statements. When the Standard becomes effective the information will form part of the audited financial statements.	Unknown
GRAP 21	**Impairment of non-cash-generating assets** The municipality complies with IPSAS 21 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required to the financial statements.	Unknown
GRAP 23	**Revenue from Non-Exchange Transactions (Taxes and Transfers)** The Municipality has already changed its structure of the financial statements and accounting policy to be in line with GRAP 23. Minimal adjustments will be required to the financial statements.	Unknown
GRAP 24	**Presentation of Budget Information in Financial Statements** Information to a large extent is already included in Appendix E(1) and E(2) of the annual financial statements. When the Standard becomes effective the information will form part of the audited financial statements.	Unknown
GRAP 26	**Impairment of cash-generating assets** The municipality complies with IAS 36 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required to the financial statements.	Unknown
GRAP 103	**Heritage Assets** No adjustments will necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.	Unknown

53. GOING CONCERN

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.



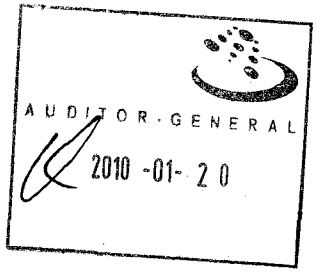
APPENDIX A
BERGRIVIER MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Rate	Loan Number	Balance at 30/06/2008	Received during the period	Redeemed written off during the period	Balance at 30/06/2009
ANNUITY LOANS						
DBSA	15.00%	10886/102	1,498,058	-	72,024	1,426,034
DBSA	13.00%	10374	1,072,950	-	85,958	986,992
DBSA	9.98%	102444/1	2,309,579	-	183,484	2,126,095
DBSA	10.80%	101210/1	1,330,975	-	167,879	1,163,096
DBSA	10.60%	101210/2	63,272	-	63,272	-
INCA	9.44%		1,538,492	-	163,741	1,374,751
DBSA	10.75%	12602	23,996	-	15,576	8,420
DBSA	9.50%	12603	15,006	-	5,589	9,417
DBSA	13.23%	13023	1,346,792	-	126,881	1,219,911
DBSA	16.50%	13324	899,546	-	24,789	874,757
DBSA	13.45%	11650	(988)	-	-	(988)
DBSA	14.00%	10778	1,156,127	-	61,929	1,094,198
DBSA	11.70%	13757	687,850	-	55,872	631,978
DBSA	9.94%	102444/2	1,282,732	-	185,421	1,097,311
DBSA	9.96%	102444/3	596,606	-	150,310	446,296
DBSA		102932/1	-	3,830,163	-	3,830,163
DBSA			-	2,239,837	-	2,239,837
Total Annuity Loans			**13,820,993**	**6,070,000**	**1,362,726**	**18,528,267**
LEASE LIABILITY						
Office Equipment			362,371	-	262,839	99,532
Total Lease Liabilities			**362,371**	**-**	**262,839**	**99,532**
TOTAL EXTERNAL LOANS			**14,183,364**	**6,070,000**	**1,625,565**	**18,627,799**

AUDITOR GENERAL
2010 -01- 20

APPENDIX B
BERGRIVIER MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Correction of Error	Closing Balance	Opening Balance	Additions	Correction of Error	Closing Balance	
Land and Buildings										
Land	13,747,273	-	-	(704,378)	13,042,895	50,447	10,154	(5,111)	55,490	12,987,405
Buildings	18,989,152	12,741	668,807	(2,941,722)	16,728,978	7,251,945	515,130	(722,837)	7,044,237	9,684,740
	32,736,425	12,741	668,807	(3,646,100)	29,771,873	7,302,392	525,284	(727,949)	7,099,727	22,672,145
Infrastructure										
Drains	-	-	-	-	-	-	-	-	-	-
Roads and Streets	32,717,004	(4,034,722)	5,788,961	(135,755)	34,335,488	8,748,775	1,679,073	120,173	10,548,021	23,787,467
Beach Improvements	-	114,719	-	-	114,719	-	6,057	-	6,057	108,662
Sewerage Mains and Purification	12,781,610	-	-	(1,479,448)	11,302,162	4,314,334	587,830	(577,622)	4,324,542	6,977,621
Electricity mains	27,535,926	3,643,188	-	(859,491)	30,319,623	5,357,985	1,454,069	(319,040)	6,493,014	23,826,610
Electricity Peak Load equipment	731,819	-	-	-	731,819	114,999	31,119	17,339	163,457	568,362
Water Mains & Purification	2,318,884	12,368	-	-	2,331,252	824,796	154,714	5,927	985,437	1,345,815
Water Reservoirs	6,794,688	-	-	(404,980)	6,389,708	2,372,859	339,735	(161,992)	2,550,601	3,839,107
Water Meters	179,871	-	-	-	179,871	5,839	7,721	9,147	22,708	157,163
Water Mains	21,012,659	2,547,488	481,552	(3,778,615)	20,263,084	4,750,683	1,172,542	(928,875)	4,994,350	15,268,733
Landfill Sites	62,200	-	-	(62,200)	-	9,330	3,110	(12,440)	0	(0)
	104,134,661	2,283,040	6,270,513	(6,720,488)	105,967,726	26,499,600	5,435,969	(1,847,383)	30,088,186	75,879,540
Community Assets										
Parks and Gardens	6,157,187	-	-	(3,657,999)	2,499,188	3,009,788	173,037	(2,516,704)	666,121	1,833,066
Libraries	1,768,128	-	-	-	1,768,128	1,328,005	18,938	-	1,346,943	421,185
Recreation Grounds	5,703,830	-	-	(1,045,893)	4,657,937	1,123,021	282,299	(402,670)	1,002,650	3,655,286
Civic Buildings	2,435,824	-	1,622,567	-	4,058,391	882,939	58,623	788	942,349	3,116,042
	16,064,969	-	1,622,567	(4,703,893)	12,983,644	6,343,753	532,897	(2,918,586)	3,958,064	9,025,580
Heritage Assets	-	2,544,705			2,544,705		51,919		51,919	2,492,786
Total carried forward	152,936,055	4,840,487	8,561,887	(15,070,481)	151,267,948	40,145,745	6,546,069	(5,493,918)	41,197,896	110,070,051

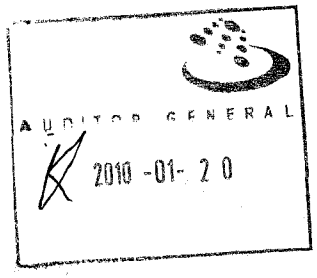


APPENDIX B
BERGRIVIER MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Correction of Error	Closing Balance	Opening Balance	Additions	Correction of Error	Closing Balance	
Total brought forward	152,936,055	4,840,487	8,561,887	(15,070,481)	151,267,948	40,145,745	6,546,069	(5,493,918)	41,197,896	110,070,051
Lease Assets										
Office Equipment (Lease)	1,140,000	110,053	-	-	1,250,053	613,373	283,026	158,000	1,054,399	195,653
Other Assets										
Office Equipment	9,315,384	(50,785)	-	(483,998)	8,780,602	5,425,633	820,237	(224,435)	6,021,435	2,759,167
Furniture and Fittings	272,190	12,170,842	-	-	12,443,032	153,928	86,880	(65,541)	175,267	12,267,764
Bins and Containers	38,441	(4,562)	-	-	33,879	3,648	6,776	982	11,406	22,473
Emergency equipment	134,488	131,966	-	-	266,454	35,372	18,898	1,153	55,423	211,031
Motor Vehicles	5,490,060	-	-	(146,844)	5,343,216	2,538,856	511,744	89,691	3,140,291	2,202,925
Fire Engines	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	822,209	-	-	(35,000)	787,209	671,765	41,923	(35,000)	678,688	108,521
Computer Equipment	278,674	(25,000)	-	-	253,674	229,366	10,377	(21,605)	218,138	35,536
Councillors Regalia	-	-	-	-	-	-		-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-	-
	16,351,446	12,222,460	-	(665,842)	27,908,065	9,058,568	1,496,835	(254,755)	10,300,648	17,607,416
Housing Rental Stock	-	336,686	-	-	336,686	-	549	-	549	336,137
Total	170,427,501	17,509,686	8,561,887	(15,736,323)	180,762,751	49,817,686	8,326,479	(5,590,672)	52,553,493	128,209,258

APPENDIX C
BERGRIVIER MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Correction of Error	Closing Balance	Opening Balance	Additions	Correction of Error	Closing Balance	
Executive & Council	4,004,820	97,692	-	-	4,102,512	2,926,220	152,108	(51,451)	3,026,877	1,075,634
Finance & Admin	33,412,197	(669,742)	2,291,374	(4,130,098)	30,903,730	9,650,036	941,658	(3,981,057)	6,610,636	24,293,094
Planning & Development	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
Community & Social Services	5,272,246	(601,901)	-	-	4,670,345	2,983,853	123,250	7,998	3,115,101	1,555,244
Housing	306,480	201,204	-	-	507,684	232,822	27,476	169	260,467	247,216
Public Safety	1,261,902	767,054	-	-	2,028,956	655,897	107,581	212,937	976,415	1,052,541
Sport & Recreation	14,366,508	4,091,788	-	(4,703,893)	13,754,403	3,285,938	785,829	(468,624)	3,603,143	10,151,260
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	14,420,910	8,332,189	-	(1,723,492)	21,029,608	5,345,436	876,610	(208,427)	6,013,619	15,015,988
Road Transport	35,237,328	(798,813)	5,788,961	(135,755)	40,091,721	10,302,930	2,095,009	-	12,397,939	27,693,782
Water	31,007,003	1,511,375	481,552	(4,183,595)	28,816,335	8,144,001	1,657,529	(959,660)	8,841,869	19,974,466
Electricity	31,138,107	4,578,841	-	(859,491)	34,857,458	6,290,552	1,559,430	(142,556)	7,707,426	27,150,032
Other	-	-	-	-	-	-	-	-	-	-
	170,427,501	17,509,686	8,561,886	(15,736,323)	180,762,751	49,817,685	8,326,480	(5,590,672)	52,553,493	128,209,258

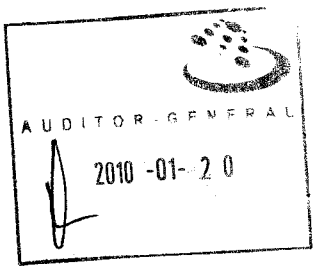


APPENDIX D
BERGRIVIER MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
9,451,434	12,439,316	(2,987,882)	Executive & Council	14,442,085	(14,270,093)	171,993
29,368,950	14,942,191	14,426,759	Finance & Admin	36,275,084	(23,721,859)	12,553,225
893,971	1,412,862	(518,891)	Planning & Development	493,858	(1,641,483)	(1,147,625)
-	-	-	Health	-	-	-
414,842	2,471,346	(2,056,504)	Community & Social Services	623,789	(2,658,004)	(2,034,216)
4,129,780	267,443	3,862,337	Housing	2,558,548	(475,045)	2,083,502
1,829,691	2,197,640	(367,949)	Public Safety	3,521,962	(2,779,012)	742,950
4,144,054	8,400,026	(4,255,972)	Sport & Recreation	2,719,365	(7,111,925)	(4,392,560)
-	-	-	Environmental Protection	-	-	-
9,697,117	10,406,387	(709,270)	Waste Management	17,010,870	(11,705,282)	5,305,588
5,583,468	16,944,150	(11,360,682)	Road Transport	926,980	(14,566,401)	(13,639,421)
9,967,766	9,030,351	937,415	Water	10,422,180	(8,224,923)	2,197,257
32,032,797	28,527,333	3,505,464	Electricity	34,302,938	(28,191,845)	6,111,093
-	-	-	Other	-	-	-
107,513,870	107,039,045	474,825	Sub Total	123,297,661	(115,345,873)	7,951,788
-	(8,104,200)	8,104,200	Less Inter-Departmental Charges	-	15,757	15,757
107,513,870	98,934,845	8,579,025	**Total**	123,297,661	(115,330,116)	7,967,545

APPENDIX E(1)
BERGRIVIER MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	26,179,296	26,682,200	(502,904)	-1.88%	
Government Grants and Subsidies	24,313,771	13,180,000	11,133,771	84.47%	Capital grants not included in budget
Public Contributions and Donations	-	-	-	0.00%	
Contributed PPE	-	-	-	0.00%	
Fines	1,531,901	1,107,000	424,901	38.38%	Higer income
Third Party Payments	-	-	-	0.00%	
Actuarial gains	100,748	-	100,748	0.00%	
Dividends received	-	-	-	0.00%	
Property rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	56,750,319	59,463,400	(2,713,081)	-4.56%	
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	2,515,541	2,491,900	23,641	0.95%	
Interest Earned - External Investments	4,631,076	3,300,000	1,331,076	40.34%	No contribution to CRR
Interest Earned - Outstanding Receivables	2,663,228	2,550,000	113,228	4.44%	
Licences and Permits	226,765	1,472,000	(1,245,235)	-84.59%	Budget Agency Fees
Agency Services	2,027,337	1,370,000	657,337	47.98%	Budget Licences and Permits
Other Income	2,293,451	2,038,200	255,251	12.52%	
Unamortised discount - Interest	64,225	-	64,225	0.00%	
Gains on Disposal of PPE	-	-	-	0.00%	
Reversal of Impairment Loss	-	-	-	0.00%	
Changes in Fair Value	-	-	-	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
Total Revenue	**123,297,661**	**113,654,700**	**9,642,961**	8.48%	
EXPENDITURE					
Executive & Council	(14,270,093)	(15,773,018)	1,502,925	-9.53%	
Finance & Admin	(23,721,859)	(20,660,229)	(3,061,630)	14.82%	Increase in provision for bad debts
Planning & Development	(1,641,483)	(2,028,059)	386,576	-19.06%	Savings on advertizing and staff cost
Health	-	-	-	0.00%	
Community & Social Services	(2,658,004)	(2,454,400)	(203,604)	8.30%	
Housing	(475,045)	(976,386)	501,341	-51.35%	Depreciation cost over budgeted
Public Safety	(2,779,012)	(3,066,389)	287,377	-9.37%	
Sport & Recreation	(7,111,925)	(7,754,305)	642,380	-8.28%	
Environmental Protection	-	-	-	0.00%	
Waste Management	(11,705,282)	(10,592,682)	(1,112,600)	10.50%	New contract for wasteremoval
Road Transport	(14,566,401)	(14,103,981)	(462,420)	3.28%	
Water	(8,224,923)	(9,220,300)	995,377	-10.80%	
Electricity	(28,191,845)	(29,837,100)	1,645,255	-5.51%	
Other	-	-	-	0.00%	
Less: Interdepartmental Charges	15,757	553,600	(537,843)	-97.15%	Admin charge no longer capitalized
Total Expenditure	**(115,330,116)**	**(115,913,249)**	**583,133**	-0.50%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**7,967,545**	**(2,258,549)**	**10,226,094**		



APPENDIX E (2)
BERGRIVIER MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
ACGUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGABLE ASSETS
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	58,924	-	58,924	-	58,924	0.00%	
Finance & Admin	2,007,323	2,291,374	4,298,697	6,399,000	(2,100,303)	-32.82%	Valuation roll was included in capital budget
Planning & Development	-	-	-	33,000	(33,000)	-100.00%	Computor Equipment will be purchased in following year
Health	-	-	-	-	-	0.00%	
Community & Social Services	303,022	-	303,022	527,000	(223,978)	-42.50%	
Housing	201,205	-	201,205	15,257,400	(15,056,195)	-98.68%	No housing project in current year
Public Safety	576,387	-	576,387	637,000	(60,613)	-9.52%	Savings on fire department vehicle brought
Sport & Recreation	1,402,213	-	1,402,213	1,520,000	(117,787)	-7.75%	Savings on building of swimming pool
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	7,794,951	-	7,794,951	8,531,000	(736,049)	-8.63%	Savings on capital projects
Road Transport	3,848,147	5,788,961	9,637,108	3,536,000	6,101,108	172.54%	Road infrastructure originally budget under Housing
Water	1,408,688	481,552	1,890,240	2,108,000	(217,760)	-10.33%	Savings on capital projects
Electricity	6,990,260	-	6,990,260	5,729,000	1,261,260	22.02%	Under construction assets in previous year, capitalised in current year
Other	-	-	-	-	-	0.00%	
Total	24,591,120	8,561,887	33,153,007	44,277,400	(11,124,393)	-25.12%	

AUDITOR-GENERAL
2010 -01- 20

APPENDIX F
BERGRIVIER MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2008	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2009	Unspent 30 June 2009 (Creditor)	Unpaid 30 June 2009 (Debtor)
Housing Mooiplaas	40,426	-	26,047	-	14,379	14,379	-
Electricity Master plan	31,697	-	26,316	-	5,381	5,381	-
LOTTO: Sport fields Zuurvlakte	500,000	-	-	-	500,000	500,000	-
WDM Performance Management	40,000	-	40,000	-	-	-	-
PIMS, Zoning Scheme	161,593	-	992	-	160,602	160,602	-
Lotto - Plant Trees	297,183	-	60,476	-	236,707	236,707	-
R O R	109,008	-	109,008	-	(0)	-	(0)
Finance Management Grant	596,135	750,000	1,007,894	-	338,241	338,241	-
Draught relief	945,000	-	592,201	-	352,799	352,799	-
Imbizo Porterville	2,570	-	2,570	-	-	-	-
CDW Contribution:	(0)	72,000	5,462	13,397	53,141	53,141	-
Housing Consuming Education	-	60,000	21,715	-	38,285	38,285	-
Emergency Housing	-	11,015	11,015	-	-	-	-
LED - WDM	-	144,000	97,048	-	46,952	46,952	-
Pump Station Expanding	24,177	-	24,177	-	-	-	-
Build taxi-rank	828,092	-	828,092	-	-	-	-
Sport Fields EK	489,105	-	59,161	-	429,944	429,944	-
Sport Fields AR	696,013	-	320,244	-	375,769	375,769	-
Groundwater - development	225,259	-	182,586	-	42,673	42,673	-
Flood damage	280,549	128,283	112,957	-	295,875	295,875	-
MSIG	403,520	735,000	1,103,968	-	34,552	34,552	-
Elekt HT line Velddrif	38,643	-	38,643	-	0	0	-
Construction Sidewalks	118,995	-	42,960	-	76,035	76,035	-
Refuse transfer station	931,000	4,196,000	-	4,686,797	440,203	440,203	-
Noordhoek Phase 3	(1,207,140)	5,000,000	-	1,856,062	1,936,798	1,936,798	-
Piketberg - Housing	-	245,952	-	668,807	(422,855)	-	(422,855)
Lotto Piketberg - Sport Field	(670,042)	-	-	-	(670,042)	-	(670,042)
Lotto Redelinghuys - Sport Field	(635,578)	-	-	-	(635,578)	-	(635,578)
Environmental cleaning	(548,730)	-	-	-	(548,730)	-	(548,730)
Road Maintenance: Zenzele		150,242			150,242	150,242	-
Wittewater:Historical houses	(151,103)	151,103	-	-	-	-	-
Total	3,546,374	11,643,595	4,713,532	7,225,062	3,251,375	5,528,579	(2,277,204)